

Housing Authority of Carbon County
Independent Auditor's Report, Management's
Discussion and Analysis, and Supplemental
Information

For the Year Ended March 31, 2005

Housing Authority of Carbon County

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Child, Sullivan and Company

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing Authority of Carbon County (the Authority), as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Housing Authority of Carbon County

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II and related notes on pages 25 through 30 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Sullivan & Company

Child, Sullivan & Company
Kaysville, Utah
December 27, 2005

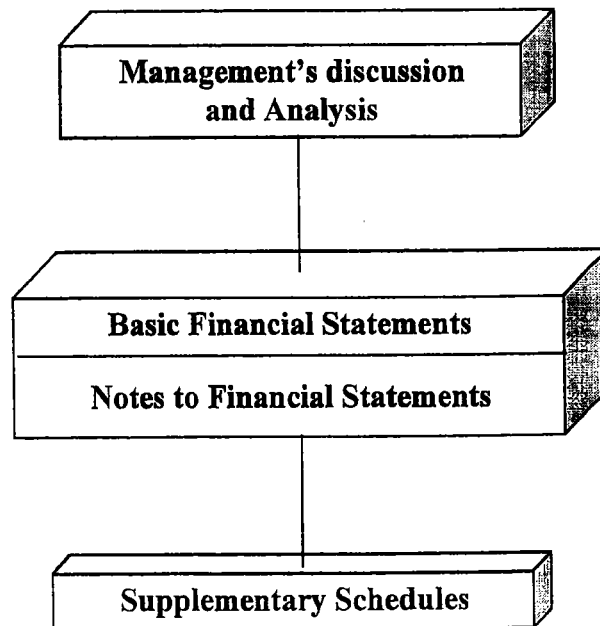
**Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A)
Year Ended March 31, 2005**

INTRODUCTION

The Housing Authority of Carbon County (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Carbon County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and U.S.D.A. Rural Development (RD), and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the County Commissioner of Carbon County. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2005 (FY2005), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2005 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A) (continued)
Year Ended March 31, 2005

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2005 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$17,201 as of March 31, 2005, from the prior year.
- Operating revenues of the Authority increased by \$112,435 over prior year results.
- The decrease in cash and cash equivalents for the year was \$12,756.
- The Authority earned management fees in the amount of \$29,000 and grants (other than HUD) of \$119,978 during the FY2005.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2005 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets, formerly known as fund equity. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents five different programs and activities. Most of these programs are financed by federal grants from HUD and RD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2005, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 31) make up a majority of the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Rural Rental Housing Loans and Assistance Programs* – These programs are funded by RD and provide funds for the purchase of rental property and subsidy for low- and moderate-income families seeking housing.
- *Public Housing Low Rent* – This program is funded by HUD and is a subsidy rent program for low- and moderate-income families seeking housing.

Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

- *Public Housing Capital Funds* – This program is funded by HUD and provides funds for the maintaining of rental property owned and operated by the Authority for the purpose of offering housing to low- and moderate-income families.

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Housing Authority of Carbon County
Balance Sheet

| | 2005 | 2004 | Total Percentage Change |
|-----------------------------------|--------------|-------------|-------------------------------|
| Current assets | \$ 446,427 | \$ 436,494 | 2.3% |
| Restricted deposits | 20,017 | 20,504 | (2.4%) |
| Fixed assets, net of depreciation | 6,215,637 | 6,234,783 | (0.3%) |
| Total assets | 6,682,081 | 6,691,781 | (0.1%) |
| Current liabilities | 46,051 | 58,825 | (21.7%) |
| Deposits and prepaid liabilities | 19,664 | 20,642 | (4.7%) |
| Noncurrent liabilities | 434,586 | 447,735 | (2.9%) |
| Total liabilities | 500,301 | 527,202 | (5.1%) |
| Net assets: | | | |
| Invested in capital assets | 5,767,927 | 5,773,957 | (0.1%) |
| Unrestricted net assets | 413,853 | 390,622 | 6.0% |
| Total net assets | \$ 6,181,780 | \$6,164,579 | 0.3% |

The Authority's total assets at March 31, 2005 were \$6.7 million, a decrease of \$9,700, or 0.1%, from March 31, 2004.

Cash and Cash Equivalents

Total cash and cash equivalents decreased by \$12,756, or 3.4% as of March 31, 2005 compared with March 31, 2004. The primary source of the decrease was due to the purchase of additional fixed assets during FY2005.

**Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005**

Accounts Payable and Accrued Liabilities

Total accounts payable and accrued liabilities decreased by \$12,807, or 28.0% as of March 31, 2005 compared with March 31, 2004. The primary source of the decrease was due to the overpayment of HUD's monthly housing assistance payment during FY2004.

Net Assets

The Authority's net assets increased by \$17,201, during FY2005. At March 31, 2005, investments in capital assets comprise about 93.0% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$447,710, which is about 89.5% of its total liabilities.

Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

Housing Authority of Carbon County
Statement of Revenues, Expenses and Changes in Net Assets

| | 2005 | 2004 | Increase/(Decrease) | |
|-----------------------------------|------------------|------------------|---------------------|------------|
| | | | Amount | Percentage |
| Operating revenues: | | | | |
| Tenant rental revenue | \$ 238,299 | \$ 232,778 | \$ 5,521 | 2.4% |
| HUD operating grants | 1,300,531 | 1,279,391 | 21,140 | 1.7% |
| HUD capital grants | 253,699 | 118,599 | 135,100 | 113.9% |
| Other government grants | 19,303 | 55,697 | (36,394) | (65.3%) |
| Rental assistance | 52,540 | 54,169 | (1,629) | (3.0%) |
| Interest subsidy | 48,135 | 50,452 | (2,317) | (4.6%) |
| Other income | 76,566 | 85,552 | (8,986) | 10.5% |
| Total operating revenues | <u>1,989,073</u> | <u>1,876,638</u> | <u>112,435</u> | |
| Operating expenses: | | | | |
| Administration | 388,463 | 350,748 | 37,715 | 10.8% |
| Utilities | 105,589 | 110,630 | (5,041) | (4.6%) |
| Operating and maintenance | 329,120 | 266,353 | 62,767 | 23.6% |
| Insurance | 51,658 | 43,972 | 7,686 | 17.5% |
| Housing assistance payments | 858,539 | 856,601 | 1,938 | 0.2% |
| Depreciation | 186,202 | 165,741 | 20,461 | 12.3% |
| Total operating expenses | <u>1,919,571</u> | <u>1,794,045</u> | <u>125,526</u> | |
| Operating income | <u>69,502</u> | <u>82,593</u> | <u>(13,091)</u> | |
| Nonoperating revenues/(expenses): | | | | |
| Interest income | 298 | 2,211 | (1,913) | (86.5%) |
| Interest expense | (52,599) | (54,657) | (2,058) | (3.8%) |
| Nonoperating expenses, net | <u>(52,301)</u> | <u>(52,446)</u> | <u>(145)</u> | |
| Change in net assets | <u>\$ 17,201</u> | <u>\$ 30,147</u> | <u>\$ (12,946)</u> | |

Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

Operating revenues of the Authority's activities are generated principally from HUD operating grants. In FY2005, the Authority's revenues for its activities totaled \$1,989,073. Of this total, \$1,300,531, or about 65%, is from HUD operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,919,571, of which \$858,539, or about 45%, was housing assistance payments.

About 0.01% of the Authority's total revenues in FY2005 were nonoperating revenues that are derived from interest income. The remaining 99.99% were operating revenues derived from tenant rental revenues (12%), HUD operating grants (65%), HUD capital grants (13%), other government grants (1%), Rental assistance (2%), Interest subsidy (2%), and other income (5%).

About 3% of the Authority's total expenses in FY2005 were nonoperating expenses that are derived from interest expense. The remaining 97% were operating expenses derived from administration (20%), utilities (5%), operating and maintenance (17%), insurance (3%), housing assistance payments (43%), and depreciation (9%).

Increase in net assets for the year ended March 31, 2005 was \$17,201 compared with an increase of \$30,147 for the year ended March 31, 2004. Factors contributing to these results included:

- Increase in HUD capital grants
- Increase in administrative, operating and maintenance, and depreciation expense during FY 2005

FIXED ASSETS

The Authority's net fixed assets as of March 31, 2005, included land, buildings, and furniture and equipment that totaled \$6,215,637, most of which is comprised of rental units available for lease to low- and moderate-income residents. Fixed assets, net of depreciation, decreased \$19,146 from the preceding year.

| | 2005 | 2004 | Change |
|---|---------------------|--------------------|--------------------|
| Land | \$ 623,370 | \$ 623,370 | \$ - |
| Buildings | 8,221,796 | 8,096,105 | 125,691 |
| Furniture, equipment and machinery-dwellings | 98,348 | 98,907 | (559) |
| Furniture, equipment and machinery-administration | 316,991 | 264,453 | 52,538 |
| Construction in progress | 3,970 | 15,142 | (11,172) |
| Accumulated depreciation | (3,048,838) | (2,863,194) | (185,644) |
| Total | <u>\$ 6,215,637</u> | <u>\$6,234,783</u> | <u>\$ (19,146)</u> |

**Housing Authority of Carbon County
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005**

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Housing Authority of Carbon County, 251 South 1600 East, Price, Utah 84501.

Housing Authority of Carbon County
Balance Sheet
March 31, 2005

Assets

Current assets:

| | |
|--|----------------|
| Cash - unrestricted (Note 2) | \$ 357,798 |
| Accounts receivable - HUD | 7,655 |
| Accounts receivable-related party (Note 9) | 15,500 |
| Accounts receivable - tenants | 2,012 |
| Prepaid expenses | 29,559 |
| Inventory (Note 3) | 33,903 |
| Total current assets | <u>446,427</u> |

Restricted deposits:

| | |
|--|---------------|
| Cash - tenants' security deposits (Note 2) | <u>20,017</u> |
| Total restricted deposits | 20,017 |

Fixed assets: (Note 4)

| | |
|---|--------------------|
| Land | 623,370 |
| Buildings | 8,221,796 |
| Furniture, equipment and machinery - dwellings | 98,348 |
| Furniture, equipment and machinery - administration | 316,991 |
| Construction in progress | 3,970 |
| Total fixed assets | <u>9,264,475</u> |
| Less: accumulated depreciation | <u>(3,048,838)</u> |
| Net fixed assets | 6,215,637 |

| | |
|--------------|----------------------------|
| Total assets | <u><u>\$ 6,682,081</u></u> |
|--------------|----------------------------|

See accompanying notes to basic financial statements.

Liabilities

Current liabilities:

| | |
|--|---------------|
| Accrued wages and payroll taxes payable | \$ 4,022 |
| Accrued compensated absences | 28,905 |
| Current portion of long-term debt (Note 5) | <u>13,124</u> |
| Total current liabilities | 46,051 |

Deposits and prepaid liabilities:

| | |
|----------------------------|--------|
| Tenants' security deposits | 19,664 |
|----------------------------|--------|

Long-term liabilities:

| | |
|---|----------------|
| Long-term debt, less current portion (Note 5) | <u>434,586</u> |
| Total long-term liabilities | 434,586 |

Total liabilities

500,301

Net Assets

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 5,767,927 |
| Unrestricted net assets | <u>413,853</u> |
| Total net assets | 6,181,780 |

Total liabilities and net assets

\$ 6,682,081

See accompanying notes to basic financial statements.

Housing Authority of Carbon County
Statement of Revenues, Expenses,
and Changes in Net Assets
Year Ended March 31, 2005

Operating revenues:

| | |
|--------------------------|------------------|
| Tenant rental revenue | \$ 238,299 |
| HUD operating grants | 1,300,531 |
| HUD capital grants | 253,699 |
| Other government grants | 19,303 |
| Rental assistance | 52,540 |
| Interest subsidy | 48,135 |
| Other income | 76,566 |
| Total operating revenues | <u>1,989,073</u> |

Operating expenses:

| | |
|-------------------------------------|------------------|
| Administration | 388,463 |
| Utilities | 105,589 |
| Ordinary maintenance and operations | 329,120 |
| Insurance premiums | 51,658 |
| Housing assistance payments | 858,539 |
| Depreciation | 186,202 |
| Total operating expenses | <u>1,919,571</u> |

| | |
|------------------|--------|
| Operating income | 69,502 |
|------------------|--------|

Nonoperating revenues (expenses):

| | |
|----------------------------------|-----------------|
| Interest income | 298 |
| Interest expense | (52,599) |
| Nonoperating revenues (expenses) | <u>(52,301)</u> |

| | |
|---------------------------------|----------------------------|
| Change in net assets | 17,201 |
| Net assets at beginning of year | <u>6,164,579</u> |
| Net assets at end of year | <u><u>\$ 6,181,780</u></u> |

See accompanying notes to basic financial statements.

Housing Authority of Carbon County
Statement of Cash Flows
Year Ended March 31, 2005

Cash flows from operating activities:

| | |
|-------------------------|------------------|
| Tenant rental revenue | \$ 240,675 |
| HUD operating grants | 1,292,876 |
| HUD capital grants | 253,699 |
| Other government grants | 19,303 |
| Rental assistance | 52,540 |
| Interest Subsidy | 48,135 |
| Other income | 71,066 |
| Interest | 298 |
| Total receipts | <u>1,978,592</u> |

| | |
|---|------------------|
| Administration | 399,829 |
| Utilities | 105,589 |
| Ordinary maintenance and operations | 329,120 |
| Tenant security deposits | 491 |
| Insurance | 51,658 |
| Housing assistance payments | 871,890 |
| Interest | 52,599 |
| Total disbursements | <u>1,811,176</u> |
| Net cash provided by operating activities | 167,416 |

Cash flows from investing activities:

| | |
|---------------------------------------|------------------|
| Purchase of fixed assets | <u>(167,056)</u> |
| Net cash used in investing activities | (167,056) |

Cash flows from noncapital financing activities:

Cash flows from capital financing activities:

| | |
|---|-----------------|
| Principal payments on long-term debt | <u>(13,116)</u> |
| Net cash used in capital financing activities | <u>(13,116)</u> |

| | |
|--|--------------------------|
| Net decrease in cash and cash equivalents | (12,756) |
| Cash and cash equivalents at beginning of year | 370,554 |
| Cash and cash equivalents at end of year | <u><u>\$ 357,798</u></u> |

See accompanying notes to basic financial statements.

Housing Authority of Carbon County
Statement of Cash Flows (continued)
Year Ended March 31, 2005

Reconciliation of change in net assets to net cash provided by
operating activities:

| | |
|--|-------------------|
| Change in net assets | \$ 17,201 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 186,202 |
| (Increase) decrease in: | |
| Cash - tenants' security deposits | 487 |
| Accounts receivable - HUD | (7,655) |
| Accounts receivable - related party | (5,500) |
| Accounts receivable - tenant | 2,376 |
| Inventory | (12,339) |
| Prepays | 429 |
| Increase (decrease) in: | |
| Accrued wages and salaries | (26,987) |
| Accounts payable - HUD | (13,351) |
| Accrued compensated absences | 27,531 |
| Tenants' security deposits | (978) |
| Net cash provided by operating activities | <u>\$ 167,416</u> |

See accompanying notes to basic financial statements.

Housing Authority of Carbon County
Notes to Financial Statements
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies

Organization and History

The Housing Authority of Carbon County (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Price, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and U.S.D.A. Rural Development (RD), and pass through awards through other state and local government agencies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Carbon County (the County), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD and RD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments."* This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Model (continued)

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Balance Sheet – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is used as required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at March 31, 2005 consist of cash and certificates of deposit. Restricted deposits are not considered cash equivalents due to their restrictions as to availability and use in operations.

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets are carried at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5-40 years. Construction in progress commences depreciation when the construction is complete and related assets placed in service. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and improvements are capitalized as fixed assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Capital

The Governmental Accounting Standards Board has issued Statement (GASB) No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*", which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. Contributed capital consists of resources contributed to the Authority which are accounted for as capital assets or are used to acquire or significantly improve capital assets prior to adoption of GASB 33.

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Authority and the tenants of the property are operating leases. Capital Funds are requested by HUD and recognized when received. Housing Assistance Payments are recognized when received from HUD.

2. Deposits

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

2. Deposits (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of March 31, 2005, \$230,677 of the Authority's bank balances of \$430,677 were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, fixed rate corporate obligations, to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments.

3. Inventory

Inventory consists of expendable supplies held for maintenance and repairs. Inventory supplies are stated at cost on a first-in first-out basis, and recorded as expenditures at the time individual inventory items are used.

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

4. Changes in Fixed Assets

| | Balance 3/31/04 | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | Balance 3/31/05 |
|--|---------------------|-------------------|--------------------|------------------|--------------------|
| Land | \$ 623,370 | \$ - | \$ - | \$ - | \$ 623,370 |
| Building | 8,096,105 | 110,549 | - | 15,142 | 8,221,796 |
| Furniture & equipment- dwellings | 98,907 | - | (559) | - | 98,348 |
| Furniture & equipment- administrative | 264,454 | 52,537 | - | - | 316,991 |
| Construction in progress | 15,142 | 3,970 | - | (15,142) | 3,970 |
| Total fixed assets | <u>\$ 9,097,978</u> | <u>\$ 167,056</u> | <u>\$ (559)</u> | <u>\$ -</u> | <u>\$9,264,475</u> |
| Accumulated depreciation | | | | | <u>(3,048,838)</u> |
| Net fixed assets | | | | | <u>\$6,215,637</u> |

5. Long-term Liabilities

Long-term debt consists of a mortgage note payable to the U.S. Department of Agriculture Rural Development. The mortgage note payable to USDA-Rural Development (RD) on a Multi-Family project in the amount of \$447,710 is collateralized by the land and building with a carrying value of \$574,660 and bears interest at 11.875% per annum. This contract is subject to an interest credit agreement with RD, which reduces the effective rate to 1% per annum. During the year ended March 31, 2005, \$48,135 was subsidized by the credit agreement. The mortgage note is due March, 2035.

Future maturities of long-term debt are as follows:

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|-------------------|------------------|
| 2006 | \$ 13,124 | \$ 4,419 |
| 2007 | 13,255 | 4,287 |
| 2008 | 13,389 | 4,154 |
| 2009 | 13,523 | 4,019 |
| 2010 | 13,659 | 3,883 |
| 2011-2015 | 69,380 | 17,331 |
| 2016-2020 | 73,987 | 13,724 |
| 2021-2025 | 76,600 | 9,932 |
| 2026-2030 | 81,765 | 5,946 |
| 2031-2035 | 79,028 | 1,774 |
| Total future maturities | <u>\$ 447,710</u> | <u>\$ 69,469</u> |

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

5. Long-term Liabilities (continued)

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

6. Retirement Plan

Plan Description. The Housing Authority of Carbon County contributes to the Local Governmental Noncontributory Retirement System and the Defined Contribution System administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of chapter 49 of the Utah code Annotated 1953 (Chapter 49), as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the systems, the office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772. The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are the actuarial determined rates. The contribution rates in effect for the year ending March 31, 2005 calculated on the applicable salary for the eligible employees are as follows:

| <u>Year Ended March 31,</u> | <u>Employee Paid</u> | <u>Paid by Employer for Employee</u> | <u>Employer Contribution Rates</u> |
|-------------------------------------|--------------------------|--|--|
| 2005 | N/A | N/A | 11.090% |

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

6. Retirement Plan (continued)

The contributions made by the Authority for the year ended March 31, 2005 were paid by the due dates or within 30 days thereafter and were equal to the required contributions. Total retirement plan cost for the year ended March 31, 2005 is \$35,848.

The required contributions and amounts received for the year ended March 31, 2005 and the two previous fiscal years are as follows:

| <u>Year Ended March 31,</u> | <u>Employee paid Contributions</u> | <u>Employer paid for Employee Contributions</u> | <u>Employer Contributions</u> | <u>Salary Subject to Retirement Contributions</u> |
|-------------------------------------|--|---|-----------------------------------|---|
| Noncontributory system: | | | | |
| Local Government Division | | | | |
| 2005 | \$ - | \$ - | \$ 27,261 | \$ 254,055 |
| 2004 | \$ - | \$ - | \$ 24,193 | \$ 258,003 |
| 2003 | \$ - | \$ - | \$ 21,393 | \$ 249,675 |
| Defined contribution system: | | | | |
| 457 Plan | | | | |
| 2005 | \$ 720 | \$ - | | |
| 2004 | \$ 720 | \$ - | | |
| 2003 | \$ 270 | \$ - | | |
| 401(k) Plan | | | | |
| 2005 | \$ 8,924 | \$ 8,587 | | |
| 2004 | \$ 10,272 | \$ 9,243 | | |
| 2003 | \$ 12,077 | \$ 11,065 | | |

7. Economic Dependency

A majority of the revenues received by the Authority come from HUD and RD programs, both of which are U.S. Government agencies. Programs operated by the Authority depend upon continued funding by the U.S. Government.

8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts, which the Authority pays in the event of any loss. The Authority also has purchased a workers compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

Housing Authority of Carbon County
Notes to Financial Statements (continued)
Year Ended March 31, 2005

9. Related Party Transactions

The Executive Director of the Authority is also the Executive Director of Coal Country Housing and Development Corporation (Coal Country), a non-profit entity. The Authority performs property management responsibilities on behalf of Coal Country. During the year ended March 31, 2005, the Authority received payments and reimbursements from Coal Country for the following expenditures:

| | |
|-------------------------|------------------|
| Management fees | \$ 23,500 |
| Administrative expenses | 9,325 |
| Maintenance expenses | <u>10,694</u> |
| Total | <u>\$ 43,519</u> |

At March 31, 2005, the Authority had receivables in the amount of \$10,000 for reimbursement of expenses paid on behalf of Coal Country, and an additional receivable of \$5,500 is for unpaid management fees incurred in the current year. Total receivables from related parties equaled \$15,500 at March 31, 2005.

10. Interprogram Receivables and Payables

The Authority has interprogram receivables and payables totaling \$68,004, which have been eliminated on the financial statements.

Supplementary Schedules

Housing Authority of Carbon County
Financial Data Schedule I – Balance Sheet
March 31, 2005

| Line Item No. | Account Description | Business Activities | Rural Rental Assistance Payments | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|--|---------------------|----------------------------------|-------------------------|-------------------------|-------------------------------------|--------------|
| 111 | Cash - Unrestricted | \$41,169 | \$170,578 | \$103,131 | \$42,920 | \$0 | \$357,798 |
| 114 | Cash - Tenant Security Deposits | \$0 | \$2,563 | \$17,454 | \$0 | \$0 | \$20,017 |
| 100 | Total Cash | \$41,169 | \$173,141 | \$120,585 | \$42,920 | \$0 | \$377,815 |
| 122 | Accounts Receivable - HUD Other Projects | \$0 | \$0 | \$0 | \$7,655 | \$0 | \$7,655 |
| 125 | Accounts Receivable - Miscellaneous | \$5,500 | \$0 | \$10,000 | \$0 | \$0 | \$15,500 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | \$0 | \$1,338 | \$674 | \$0 | \$0 | \$2,012 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 126.2 | Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 120 | Total Receivables, net of allowances for doubtful accounts | \$5,500 | \$1,338 | \$10,674 | \$7,655 | \$0 | \$25,167 |
| 142 | Prepaid Expenses and Other Assets | \$0 | \$2,352 | \$27,207 | \$0 | \$0 | \$29,559 |
| 143 | Inventories | \$0 | \$688 | \$33,215 | \$0 | \$0 | \$33,903 |
| 143.1 | Allowance for Obsolete Inventories | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 144 | Interprogram Due From | \$0 | \$0 | \$68,004 | \$0 | \$0 | \$68,004 |
| 150 | Total Current Assets | \$46,669 | \$177,519 | \$259,685 | \$50,575 | \$0 | \$534,448 |
| 161 | Land | \$0 | \$18,103 | \$605,267 | \$0 | \$0 | \$623,370 |
| 162 | Buildings | \$0 | \$707,694 | \$7,514,102 | \$0 | \$0 | \$8,221,796 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$0 | \$6,310 | \$92,038 | \$0 | \$0 | \$98,348 |
| 164 | Furniture, Equipment & Machinery - Administration | \$0 | \$3,900 | \$268,230 | \$44,861 | \$0 | \$316,991 |
| 165 | Leasehold Improvements | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 166 | Accumulated Depreciation | \$0 | \$-159,147 | \$-2,846,028 | \$-43,663 | \$0 | \$-3,048,838 |
| 167 | Construction in Progress | \$0 | \$0 | \$0 | \$0 | \$3,970 | \$3,970 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | \$0 | \$576,860 | \$5,633,609 | \$1,198 | \$3,970 | \$6,215,637 |
| 180 | Total Non-Current Assets | \$0 | \$576,860 | \$5,633,609 | \$1,198 | \$3,970 | \$6,215,637 |
| 190 | Total Assets | \$46,669 | \$754,379 | \$5,893,294 | \$51,773 | \$3,970 | \$6,750,085 |

PHA: UT016 FYED: 03/31/2005

Housing Authority of Carbon County
Financial Data Schedule I - Balance Sheet (continued)
March 31, 2005

PHA: UT016 FYED: 03/31/2005

| Line Item No. | Account Description | Business Activities | Rural Rental Assistance Payments | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|---|---------------------|----------------------------------|-------------------------|-------------------------|-------------------------------------|-------------|
| 321 | Accrued Wage/Payroll Taxes Payable | \$0 | \$0 | \$4,022 | \$0 | \$0 | \$4,022 |
| 322 | Accrued Compensated Absences - Current Portion | \$1,214 | \$30 | \$17,331 | \$10,330 | \$0 | \$28,905 |
| 341 | Tenant Security Deposits | \$0 | \$2,210 | \$17,454 | \$0 | \$0 | \$19,664 |
| 343 | Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | \$0 | \$13,124 | \$0 | \$0 | \$0 | \$13,124 |
| 347 | Interprogram Due To | \$18,582 | \$4,895 | \$0 | \$44,527 | \$0 | \$68,004 |
| 310 | Total Current Liabilities | \$19,796 | \$20,259 | \$38,807 | \$54,857 | \$0 | \$133,719 |
| 351 | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds | \$0 | \$434,586 | \$0 | \$0 | \$0 | \$434,586 |
| 350 | Total Noncurrent Liabilities | \$0 | \$434,586 | \$0 | \$0 | \$0 | \$434,586 |
| 300 | Total Liabilities | \$19,796 | \$454,845 | \$38,807 | \$54,857 | \$0 | \$568,305 |
| 508 | Total Contributed Capital | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508.1 | Invested in Capital Assets, Net of Related Debt | \$0 | \$129,150 | \$5,633,609 | \$1,198 | \$3,970 | \$5,767,927 |
| 511 | Total Reserved Fund Balance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 511.1 | Restricted Net Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 512.1 | Unrestricted Net Assets | \$26,873 | \$170,384 | \$220,878 | \$4,282 | \$0 | \$413,853 |
| 513 | Total Equity/Net Assets | \$26,873 | \$299,534 | \$5,854,487 | \$3,084 | \$3,970 | \$6,181,780 |
| 600 | Total Liabilities and Equity/Net Assets | \$46,669 | \$754,379 | \$5,893,294 | \$51,773 | \$3,970 | \$6,750,085 |

Housing Authority of Carbon County
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended March 31, 2005

PHA: UT016 FYED: 03/31/2005

| Line Item No. | Account Description | Business Activities | Rural Rental Assistance Payments | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|----------------------------------|---------------------|----------------------------------|-------------------------|-------------------------|-------------------------------------|-------------|
| 703 | Net Tenant Rental Revenue | \$0 | \$44,660 | \$193,639 | \$0 | \$0 | \$238,299 |
| 705 | Total Tenant Revenue | \$0 | \$44,660 | \$193,639 | \$0 | \$0 | \$238,299 |
| 706 | HUD PHA Operating Grants | \$0 | \$0 | \$268,358 | \$1,032,173 | \$17,726 | \$1,318,257 |
| 706.1 | Capital Grants | \$0 | \$0 | \$0 | \$0 | \$235,973 | \$235,973 |
| 708 | Other Government Grants | \$0 | \$52,540 | \$19,303 | \$0 | \$0 | \$71,843 |
| 711 | Investment Income - Unrestricted | \$298 | \$0 | \$0 | \$0 | \$0 | \$298 |
| 713.1 | Cost of Sale of Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 715 | Other Revenue | \$29,193 | \$3,805 | \$43,568 | \$0 | \$0 | \$76,566 |
| 720 | Investment Income - Restricted | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 700 | Total Revenue | \$29,491 | \$101,005 | \$524,868 | \$1,032,173 | \$253,699 | \$1,941,236 |

Housing Authority of Carbon County
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended March 31, 2005

| Line Item No. | Account Description | Business Activities | Rural Rental Assistance Payments | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------|--|---------------------|----------------------------------|-------------------------|-------------------------|-------------------------------------|-------------|
| 911 | Administrative Salaries | \$0 | \$10,560 | \$6,560 | \$125,542 | \$0 | \$222,662 |
| 912 | Auditing Fees | \$0 | \$0 | \$5,137 | \$4,333 | \$0 | \$9,470 |
| 915 | Employee Benefit Contributions - Administrative | \$0 | \$8,724 | \$6,987 | \$29,077 | \$0 | \$94,788 |
| 916 | Other Operating - Administrative | \$20,019 | \$2,065 | \$66,285 | \$39,208 | \$0 | \$127,577 |
| 931 | Water | \$0 | \$2,984 | \$32,128 | \$0 | \$0 | \$35,092 |
| 932 | Electricity | \$0 | \$10,125 | \$21,558 | \$0 | \$0 | \$31,683 |
| 933 | Gas | \$0 | \$0 | \$14,531 | \$0 | \$0 | \$14,531 |
| 938 | Other Utilities Expense | \$0 | \$884 | \$23,419 | \$0 | \$0 | \$24,283 |
| 941 | Ordinary Maintenance and Operations - Labor | \$0 | \$0 | \$83,046 | \$0 | \$17,726 | \$100,772 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | \$0 | \$1,825 | \$53,999 | \$7,367 | \$0 | \$63,191 |
| 943 | Ordinary Maintenance and Operations - Contract Costs | \$0 | \$3,594 | \$21,352 | \$0 | \$0 | \$24,946 |
| 945 | Employee Benefit Contributions - Ordinary Maintenance | \$0 | \$0 | \$72,530 | \$0 | \$0 | \$72,530 |
| 961 | Insurance Premiums | \$0 | \$4,732 | \$31,510 | \$15,416 | \$0 | \$51,658 |
| 962 | Other General Expenses | \$0 | \$0 | \$0 | \$1,647 | \$0 | \$1,647 |
| 967 | Interest Expense | \$0 | \$4,426 | \$38 | \$0 | \$0 | \$4,464 |
| 969 | Total Operating Expenses | \$20,019 | \$49,879 | \$589,080 | \$222,590 | \$17,726 | \$879,294 |
| 970 | Excess Operating Revenue over Operating Expenses | \$9,472 | \$51,126 | \$44,212 | \$809,583 | \$235,973 | \$1,061,942 |
| 973 | Housing Assistance Payments | \$0 | \$0 | \$0 | \$858,539 | \$0 | \$858,539 |
| 974 | Depreciation Expense | \$0 | \$10,400 | \$171,498 | \$4,304 | \$0 | \$186,202 |
| 900 | Total Expenses | \$20,019 | \$60,279 | \$740,578 | \$1,085,433 | \$17,726 | \$1,924,035 |
| 1010 | Total Other Financing Sources (Uses) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | \$9,472 | \$40,726 | \$215,710 | \$53,260 | \$235,973 | \$17,201 |

PHA: UT016 FYED: 03/31/2005

Housing Authority of Carbon County
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended March 31, 2005

PHA: UT016 FYED: 03/31/2005

| Line Item No. | Account Description | Business Activities | Rural Rental Assistance Payments | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Total |
|---------------------|---|------------------------|--|----------------------------|-------------------------------|---|-------------|
| 1102 | Debt Principal Payments - Enterprise Funds | \$0 | \$13,116 | \$0 | \$0 | \$0 | \$13,116 |
| 1103 | Beginning Equity | \$0 | \$258,808 | \$5,855,595 | \$50,176 | \$0 | \$6,164,579 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | \$17,401 | \$0 | \$214,602 | \$0 | \$-232,003 | \$0 |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1114 | Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 | Contingency Reserve, ACC Program Reserve | \$0 | \$0 | \$0 | \$304,340 | \$0 | \$304,340 |
| 1116 | Total Annual Contributions Available | \$0 | \$0 | \$0 | \$304,340 | \$0 | \$304,340 |
| 1120 | Unit Months Available | 0 | 240 | 1,452 | 3,276 | 0 | 4,968 |
| 1121 | Number of Unit Months Leased | 0 | 226 | 1,406 | 3,000 | 0 | 4,632 |

Housing Authority of Carbon County
Notes to Financial Data Schedule
Year Ended March 31, 2005

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

Interest subsidy of \$48,135 was netted against interest expense of \$52,599 to record interest expense in the financial statements in the amount of \$4,464.

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

| | <u>Total assets</u> | <u>Total liabilities</u> | <u>Total equity</u> | <u>Net income</u> |
|--|-------------------------|------------------------------|-------------------------|-----------------------|
| Balances per Financial Data Schedules | \$6,750,085 | 568,305 | 6,181,780 | 17,201 |
| Elimination of interprogram balances | <u>(68,004)</u> | <u>(68,004)</u> | <u>-</u> | <u>-</u> |
| Balances per basic financial statements | <u>\$6,682,081</u> | <u>500,301</u> | <u>6,181,780</u> | <u>17,201</u> |

Housing Authority of Carbon County
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2005

| <u>Federal Assistance Programs Agency/Program Grant Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---------------------------------|
| U.S. Department of Housing & Urban Development (HUD) | | |
| Direct Programs: | | |
| Section 8 Housing Choice Vouchers | 14.871 | \$ 1,032,173 |
| Public Housing Capital Fund | 14.872 | 253,699 |
| Low-Rent Public Housing | 14.850 | 268,358 |
| Passed Through from the Utah State Department of Community and Economic Development: | | |
| Community Development Block Grant | 14.228 | 19,303 |
| U.S. Department of Agriculture | | |
| Direct Programs: | | |
| Rural Rental Housing Loans | 10.415 | 447,710 |
| Rural Rental Housing Loans -- | | |
| Interest Subsidy | 10.415 | 48,135 |
| Rural Rental Assistance Payments | 10.427 | <u>52,540</u> |
| Total expenditures of federal awards | | <u>\$ 2,121,918</u> |

Housing Authority of Carbon County
Notes to Schedule of Expenditures of Federal Awards
Year Ended March 31, 2005

1. Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the March 31, 2005 financial statements of the Authority. The Authority reports on the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

Child, Sullivan and Company

Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS:

Douglas W. Child, CPA
Brian Sullivan, CPA
Marty Van Wagener, CPA
Scott L. Farnes

Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

PROFESSIONALS:

Shelly McNamara
Rich Egan, CPA
Keri Griffone
Natalie Murphy
Kristina Chamberlain
John Larsen

Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the financial statements of the Housing Authority of Carbon County (the Authority) as of and for the year ended March 31, 2005, and have issued our report thereon dated December 27, 2005. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item 05-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-2, 05-3, and 05-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-4 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we do not consider to be reportable conditions that we have reported to management of the Authority in a separate letter dated December 27, 2005.

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Board of Commissioners
Housing Authority of Carbon County

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Sullivan & Company

Child, Sullivan & Company

Kaysville, Utah

December 27, 2005

Child, Sullivan and Company

Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS:

Douglas W. Child, CPA
Brian Sullivan, CPA
Marty Van Wageningen, CPA
Scott L. Farnes

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

PROFESSIONALS:

Shelly McNamara
Rich Egan, CPA
Keri Griffone
Natalie Murphy
Kristina Chamberlain
John Larsen

Board of Commissioners
Housing Authority of Carbon County
Price, Utah

Compliance

We have audited the compliance of the Housing Authority of Carbon County (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in item 05-1 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the recording of funds within the accounting system applicable to its Public Housing Capital Funds agreement. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the item of noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

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Board of Commissioners
Housing Authority of Carbon County

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Housing Authority of Carbon County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grant agreements and other matters. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-2, 05-3, and 05-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-4 to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the Authority and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Sullivan & Company

Child, Sullivan & Company
Kaysville, Utah
December 27, 2005

**Housing Authority of Carbon County
Schedule of Findings and Questioned Costs
Year Ended March 31, 2005**

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? X Yes None reported

Non-compliance material to financial
statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? X Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133?

 X Yes No

Identification of major programs?

CFDA Number(s)

14.872

10.415

Name of Federal Program or Cluster

Public Housing Capital Funds

Rural Rental Housing Loans

Dollar threshold used to distinguish
between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 X Yes No

Housing Authority of Carbon County
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005

Section II-Financial Statement Findings and Questioned Costs

Finding 05-1 Failure to record capital funds properly within the accounting system

Condition: The Authority recorded capital funds as expenses instead of recording the particular funds as fixed assets and capitalizing those funds.

Criteria: Entities receiving capital funds should capitalize the costs that are associated with capital improvements.

Effect: The Authority made adjustments at year end that were necessary to accurately report fixed assets, accumulated depreciation, and operating expenses.

Cause: The Authority did not record fixed assets, accumulated depreciation, and operating expenses accurately or completely.

Recommendation: The Authority needs to adhere to the contract for the capital fund program. In addition, the Authority's internal controls should include a provision for the timely review, inspection, and monitoring of accounting policies and procedures by persons independent of those who record transactions.

Auditee's Response: See page 43 of this report.

Finding 05-2 Management oversight of the accounting system

Condition: Management of the Authority did not adequately oversee the accounting system for the Authority.

Criteria: Management has the responsibility to oversee the accounting system to make sure accounts are recorded in an accurate and timely manner.

Effect: The accounting was not properly maintained for the FY2005.

Cause: Management did not maintain adequate oversight of the accounting system causing the financial statements to not be reported accurately and timely manner.

Recommendation: The management of the Authority should review the accounting system on a monthly basis to make sure various accounts are being recorded correctly.

Auditee's response: See page 43 of this report.

Housing Authority of Carbon County
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005

Finding 05-3 Lack of adequate training and supervision of accounting staff

Condition: The accounting staff of the Authority is not properly trained nor has the proper supervision to create accurate and complete books in a timely manner.

Criteria: The Authority needs to provide the accounting staff with proper training to record the accounting for the Authority.

Effect: The Authority made adjustments at year end that were necessary to accurately report assets, liabilities, equity, revenues, and expenses.

Cause: Accounting staff for the Authority did not have proper training in order to complete the accounting in an accurate and timely manner and was not properly supervised to ensure accurate and timely accounting.

Recommendation: The Authority's accounting personnel needs to receive proper training in conducting the accounting and have proper supervision to ensure the accounting is completed in an accurate and timely manner.

Auditee's response: See page 43 of this report.

Finding 05-4 Failure to follow generally accepted accounting principles throughout the year

Condition: The Authority was required to make several journal entries at year end as a result of the financial statement audit to comply with generally accepted accounting principles regarding the proper recording of assets, liabilities, revenues, and expenses. The Authority's policies and procedures do not provide for internal controls sufficient to detect errors in a timely manner.

Criteria: Entities receiving government funding should follow generally accepted accounting principles throughout the year.

Effect: The Authority made adjustments at year end that were needed to accurately report prepaid expenses, fixed assets, accounts payable, tenant rent revenue, and operating expense.

Cause: The Authority did not record prepaid expenses, fixed assets, accounts payable, tenant rent revenue, or operating expenses in a timely manner.

Recommendation: The Authority's personnel must adhere to the basic concepts of generally accepted accounting principles and apply those principles to their financial record keeping. In addition, the Authority's internal controls should include a provision for the timely review, inspection, and monitoring of accounting policies and procedures by persons independent of those who record transactions.

Auditee's Response: See page 43 of this report.

**Housing Authority of Carbon County
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005**

Section III-Federal Award Findings and Questioned Costs

See findings 05-1 thru 05-4 on pages of 38 and 39 of this report.

**Housing Authority of Carbon County
Schedule of Findings and Questioned Costs - Prior Year
Year Ended March 31, 2005**

Finding 04-1

Condition: The Authority did not record management fee revenue for the management of rental properties of a related party.

Criteria: Revenue is a component of the statement of revenues, expenses and changes in fund equity and should be recorded by the Authority as it is earned.

Effect: Revenue and retained earnings are understated.

Cause: The Authority did not accrue management fees when earned.

Recommendation: The Authority should account for management fee revenue by posting the revenue to the income statement when earned.

Status: This finding is considered closed.

Finding 04-2

Condition: The Authority did not maintain an adequate balance in the tenants' security deposit fund.

Criteria: Tenants' security deposits must meet or exceed the security deposit liability.

Effect: Tenants' security deposit fund is under funded by \$518.

Cause: Inadequate funds were deposited into the tenants' security deposit fund to cover the liability.

Recommendation: The Authority must reconcile the security deposit liability with the tenants' security deposit fund and make the required deposits to ensure that the liability is fully funded.

Status: This finding is considered closed.



HOUSING AUTHORITY of Carbon County

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February 7, 2006

Child, Van Wagoner & Bradshaw, PLLC
1284 West Flint Meadow Drive, Suite D
Kaysville, Utah 84037

Re: Review of Fiscal Year Audit Ending March 31, 2005
Housing Authority of Carbon County

Dear Sirs:

The Board of Commissioners for the Housing Authority of Carbon County met February 6, 2006 to discuss your audit of our agency. The Board reviewed your findings and came to the consensus that although your findings have been documented, this Board will engage in an independent review of your audit by a Certified Public Accountant with expertise in this area. We agree that our agency is a "low risk audit" as you have mentioned in your report and see no reason to believe that there are serious issues raised or findings that can not be resolved.

The Board will take your findings under advisement. After our independent review we will take immediate action to resolve any issues that are identified as valid.

Sincerely,

Kathy Morris
Kathy Morris
Board Chair

KM/gs

Cc: Board of Commissioners
Lynda C. Varner, Executive Director

Child, Sullivan and Company

Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS:

Douglas W. Child, CPA
Brian Sullivan, CPA
Marty Van Wagoner, CPA
Scott L. Farnes

Housing Authority of Carbon County Independent Auditors' Report on State Legal Compliance Year Ended March 31, 2005

PROFESSIONALS:

Shelly McNamara
Rich Egan, CPA
Keri Griffone
Natalie Murphy
Kristina Chamberlain
John Larsen

Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the financial statements of the Housing Authority of Carbon County (the Authority), for the year ended March 31, 2005, and have issued our report thereon dated December 15, 2004. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority did not receive any major or non-major state funds during the year ended March 31, 2005.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended March 31, 2005.

Child, Sullivan and Company

Child, Sullivan & Company
Kaysville, UT
December 27, 2005

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